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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000280

SIPDIS

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SUBJECT: TAIWAN CONSIDERS NEXT STEPS AFTER CHINESE NEW YEAR CHARTER FLIGHTS

REF: TAIPEI 00130

Classified By: AIT Director Douglas H. Paal, Reason: 1.4 (B/D)

11. (C) Summary. With the Taiwan public,s largely enthusiastic reception of the January 15 Chinese New Year cross-Strait charter flight agreement, ruling Democratic Progressive Party (DPP) and opposition Kuomintang (KMT) have each sought to claim credit for the breakthrough8 and belittle the other,s role. Public and policy attention almost immediately focused on next steps, including proposals for phased-in regular cross-Strait air service. The Chen administration is moving to maintain close control of the cross-Strait process, and plans to resurrect its proposal for cargo flights, to which Beijing did not respond last year. End Summary.

Vying for Credit

12. (C) Since the January 15 announcement (reftel), both DPP and KMT leaders have been publicly claiming credit for the cross-Strait charter flight agreement. KMT leaders argue the KMT was instrumental in pushing the Taiwan government to initiate negotiations, then to make a last-minute concession enabling the agreement. John Chang (Chang Hsiao-yen) told AIT that the initial December 28 announcement of the KMT Beijing visit spurred the DPP to hurriedly arrange the first Macao meeting on June 7, and the January 10 KMT visit to Beijing pushed the DPP to compromise on its insistence that MAC officials be members of the Taiwan negotiating team. This compromise, he said, caught Beijing by surprise -- TAO Chairperson Chen Yunlin had told Chang when they first met in Beijing on the morning of January 10, "Hsiao-yen, tensions are so high that cross-Strait flights will not be possible this year."

13. (C) Taiwan government officials, on the other hand, continue to dismiss the KMT trip as inconsequential. Both NSC Senior Advisor for cross-Strait issues Chen Chung-hsin and Mainland Affairs Council (MAC) Chair Joseph Wu told AIT that the KMT had &absolutely nothing8 to do with either the fact of the Macao negotiations or the final agreement. MAC Vice Chair Liu Te-hsun told AIT January 20, that the charter flight initiative was a product of a series of proposals President Chen made in 2004 and, more specifically, his personal pledge on charter flights to a meeting of China-based Taiwanese business people during an Autumn Festival dinner, September 28. In November, Liu continued, President Chen pledged to push for cross-Strait improvements following the December 11 legislative election and that, he said, is just what the President did. Liu stated that MAC and the Ministry of Transportation and Communication had been working quietly toward cross-Strait charter flights but did not go public until the KMT legislators visited Beijing.

Staving Off Criticism

14. (C) DPP leaders have played down the notion that Taiwan made any concessions in the charter flight negotiations in order, explained NSC's Chen, to obviate criticism of the agreement from pro-independence elements, particularly the Taiwan Solidarity Union (TSU). MAC's Wu and Liu separately insisted to AIT that Taiwan had held firm while the Mainland acquiesced to the 2002 &Hong Kong model8 (negotiations for a Hong Kong-Taiwan air service agreement by delegations nominally headed by airline industry officials, but with all negotiations done by government officials). Chu Li-shi, Vice President of government-owned China Television Station (CTS) described the negotiations to AIT as Beijing caving in to Taiwan,s negotiating demands. When AIT pointed out to Chu that both sides had compromised on the critical issue of delegation composition, Chu reluctantly acknowledged "there may have been some changes." Other Taiwan officials concede that Taipei did abandon many of its original conditions in order to quickly conclude a deal.

15. (C) Cross-Strait negotiations remain a highly contentious political issue. Parents joined Pan-Blue legislators in criticizing the Taiwan government decision to exclude Taiwan students studying in China from the charter flight agreement. MAC's Liu told AIT the reason for this was that student

holidays did not coincide with the schedules of Taiwan business people. Inclusion of students, moreover, would have opened up pressure for charter flights from other groups, including the problematic area of tourism (see para 9 below). With President Chen seeking to fulfill his pledge to create a "Peace and Development Committee," KMT LY Chair Wang Jin-pyng pushing to establish an LY "Cross-Strait Affairs Reactive Panel," and the People's First Party (PFP) leveraging its critical minority of 34 legislators in support of its proposed "Cross-Strait Peace Committee," all parties are seeking a piece of the cross-Strait action.

Next Steps

16. (C) The question of "next steps" is a daily discussion topic among government and political leaders and on Taiwan's plethora of broadcast talk shows, with listeners daily calling in from across the island offering suggestions for next steps. John Chang, long involved with cross-Strait issues, told AIT that two of the "three links" -- post and commerce -- have already been effectively implemented, and the impending charter flights will bring the third link of transportation on the road to realization.

17. (C) On January 15, MAC Chair Joseph Wu told a press conference he would like to see the New Year charter flight model expanded to other holidays.⁸ When AIT asked MAC Vice Chair Liu whether MAC intended to propose this to Mainland China, however, he responded that there are really only a few holidays in common on both sides of the Strait, all one-day events not conducive to charter flights. He noted that the suggestion of one KMT legislator that Wu's holiday idea should be extended to the weekly holidays⁸ of Saturday and Sunday was not practical.

18. (C) NSC's Chen Chung-hsin, who was at least in part responsible for the Taiwan decision not to insist on the Hong Kong model,⁸ called AIT a second time last week to emphasize that his prediction that Beijing would accept Taiwan's delegation counter-proposal had proven true. He also reiterated his earlier statement that President Chen had already approved a graduated three-stage negotiation process: first charter flights, second Hong Kong model⁸ expanded negotiations (topic undecided), and third implementation of the three links.⁸

19. (C) MAC Vice Chair Liu told AIT that MAC is now focusing on charter, or even regular, cargo flights as the next step forward in cross-Strait exchange. The Taiwan business community has been pushing for direct cargo flights to reduce shipping costs and time between Taiwan and China. Taiwan, he noted, had proposed this to Beijing last year but had received no response. In response to AIT's query, Liu explained that MAC was not interested in moving toward regularized passenger service to promote tourism, in part because of the pattern of tourists from Mainland China disappearing in Taiwan in recent years.

Comment

10. (C) While the KMT January 10 visit to Beijing may have put pressure on the Chen government to expedite charter flight negotiations, the government was already working its own line, a product of President Chen's own commitments last year reinforced by his and his party's setback in the December 11 elections. The competition for credit for the January 15 charter flight agreement indicates that both sides see political advantage in meeting popular demands for cross-Strait flights. KMT legislator John Chang told AIT that the December legislative elections had shown that many Taiwan voters dislike the kind of confrontational rhetoric they saw in the LY campaign and that improving cross-Strait relations has become one calculus in Taiwan politics.

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